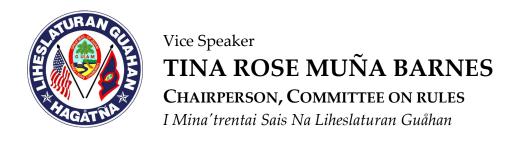
## I Mina'trentai Sais Na Liheslaturan Guåhan BILL STATUS

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES	NOTES
232-36 (LS)	Joe S. San Agustin	AN ACT TO AMEND §§58104(k) AND 58136 OF ARTICLE 1, CHAPTER 58, TITLE 12, AND TO ADD	12/10/21	12/15/21	Committee on Economic			Request: 12/16/21	
	Tina Rose Muña Barnes	A NEW ARTICLE 3 TO CHAPTER 58, TITLE 12 GUAM CODE ANNOTATED RELATIVE TO THE	10:41 a.m.		Development, Agriculture, Power and				
	Christopher M. Dueñas	ISSUANCE OF QUALIFYING CERTIFICATES FOR CAPTIVE INSURANCE COMPANIES WHO WHOLLY		i	Energy Utilities, and the Arts			12/23/21	
	James C. Moylan	UNDERWRITE INSURANCE RISKS OUTSIDE OF GUAM.							

CLERKS OFFICE Page 1



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December 23, 2021

## **MEMO**

To: Rennae Meno

Clerk of the Legislature

From: Senator Amanda L. Shelton

Acting Chairperson, Committee on Rules

Re: Fiscal Notes on Bill Nos. 231-36 (LS) and 232-36 (LS)

Håfa adai,

Attached, please find the fiscal note for the following bill:

Bill No. 231-36 (LS) Bill No. 232-36 (LS)

Please forward the same to Management Information Services (MIS) for posting on our website.

If you have any questions or concerns, please feel free to contact Mary Maravilla, Committee on Rules Director at 472-2461.

Thank you for your attention to this important matter.



## Bureau of Budget & Management Research Fiscal Note of Bill No. 232-36 (LS)

AN ACT TO AMEND §§ 58104(k) AND 58136 OF ARTICLE 1, CHAPTER 58, TITLE 12, AND TO ADD A NEW ARTICLE 3 TO CHAPTER 58, TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO THE ISSUANCE OF QUALIFYING CERTIFICATES FOR CAPTIVE INSURANCE COMPANIES WHO WHOLLY UNDERWRITE INSURANCE RISKS OUTSIDE OF GUAM.

		·-								
		Department/A	gency Appropriati	on Information		····				
Dept./Agency Affec	ted: Guam Econom	ic Development Auth	ority	Dept./Agency Head:	Melanie Mendiola, C	CEO/Administrator				
Department's antic		\$2,957,299								
Department's appro	priation(s) to date:					<u>\$0</u>				
Total Department/Agency revenues to date:										
		Fund Source Info	ormation of Propo	sed Appropriation						
				General Fund:	(Specify Special Fund):	Total:				
FY 2021 Unreserve	d Fund Balance			\$0	\$0					
FY 2022 Adopted R	evenues		\$0	\$0	\$0					
FY 2022 Appro. <u>(P.</u>	L. 36-54)		\$0	\$0	\$0					
Sub-total:			\$0	\$0	\$0					
Less appropriation	in Bill		\$0	\$0	\$0					
Total:			\$0	\$0	\$0					
						······································				
		Estim	ated Fiscal Impact	of Bill						
	One Full Fiscal Year	For Remainder of FY 2022 (if applicable)	FY 2023	FY 2024	FY 2025	FY 2026				
General Fund 1/	\$0	\$0	\$0	\$0	\$0	\$0				
Special Fund 1/	\$0	\$0	\$0	\$0	\$0	\$0				
Total 1/	<u>\$0</u>	\$0	\$0	\$0	\$0	\$0				
1. Does the bill conf If Yes, see attachme		nting" provisions?		/ / Yes	/X/ No					
	priated adequate to additional amount (	fund the intent of the required? \$	/X/ N/A /X/ N/A	/ / Yes	/ / No					
3. Does the Bill esta			4 <b>2</b> 54 - 244	/ / Yes	/X/ No					
		sting programs/agenc h the program/agenc	/X/ N/A	/ / Yes	/ / No					
4. Will the enactme	/ / Yes /X/ Yes	/X/ No / / No								
5. Was Fiscal Note	/X/ Yes	/ / No								
		received by due date		Other:						
Analyst: ODWI Jeaquin	A.J. Guerrero II	Date: 12/22/21	Director:	Lester L. Carlson, Jr	Date:	EC 2.3 2021				

Notes:

1/ See attached comments.

## Bureau of Budget and Management Research Comments on Bill No. 232-36 (LS)

The proposed legislation intends to add a new Article 3 to Chapter 58, Title 12 of the Guam Code Annotated, for the establishment and issuance of a Special Qualifying Certificate (CQ) for captive insurance companies who wholly underwrite insurance risks outside of Guam. The Bill sets provisions for the QC, which shall constitute conclusive evidence of entitlement to tax rebates and abatements once issued. The captive insurer shall be allowed a tax rebate and abatement to each beneficiary for the following taxes: (1) one hundred percent (100%) Corporate Income Tax not to exceed twenty (20) consecutive years from the effective date of the QC; (2) abatement of one hundred percent (100%) of the income tax withheld from the shareholders of an insurance underwriting business on the dividends from such business not to exceed twenty (20) consecutive years from the effective date of the QC; and (3) Business Privilege Tax for a period of twenty (20) years from the effective date of the CQ. Applications for the QC shall be on a form prescribed by the Guam Economic Development Authority (GEDA) with all necessary supporting documentation submitted and appropriate fees first being duly paid prior to the acceptance of any application.

Per comments provided by GEDA, the Governor's Economic Diversification Working Group has been exploring the possibilities for the expansion of the captive insurance industry in Guam. Guam law currently allows for the formation of captive insurance companies and their eligibility to apply for and receive a QC. The Bill's focus on these wholly owned companies that only insure risks outside of Guam encourages increased investments from off-island, which may boost the growth of the island's insurance and finance sectors without any impact to the existing tax base. All captive insurance companies domiciled in Guam are required to maintain minimum capitalization requirements on island, and a significant growth in the number of captive insurance companies may lead to more money circulating within the local economy.